



## State Employee Insurance Benefits

# Fact Sheet

## Historical Perspective

The Office of Insurance Management (OIM) has operated under the principle that benefits provided to State of Idaho employees, whenever possible, be comparable to those provided by other major employers in Idaho. **The most comprehensive coverages available are negotiated based on the funding appropriated annually by the Legislature.** The current appropriation is \$403.08 a month, or \$4,837 per FTP per year. This includes \$8 per month subsidy of the retiree medical plan costs, and \$2.61 per FTP per month to fund the reserve from which the State contribution is made for employees on disability and \$7.94 per FTP per month for the Integrated Behavioral Health Plan.

Prior to July 1974, each agency negotiated benefits for its employees. With the enactment of **Idaho Code Sections 67-5760 through 67-5772** creating the Office of Group Insurance, the authority and responsibility for the negotiation and placement of group insurance benefits for State employees was centralized for all State agencies.

In FY75, benefits began as a comprehensive major medical benefits plan. The plan was administered by Blue Shield for employees in North Idaho and by Blue Cross for employees in Southern Idaho. In FY76, the State moved to a Basic/Major Medical plan. At that time, the plan was competitively bid and Blue Shield was selected to ad-

minister the entire plan.

In FY84, the plan format was changed and the plan made more comprehensive. Incentives were added to the plan to encourage employee use of lower cost medical services.

In FY87, a Dental Assistance plan was implemented. There was no coverage for Major Care such as crowns, bridges, dentures or orthodontia. The State contribution was funded for the first two years with surplus funds in the Group Insurance Account; the Legislature provided an appropriation for the State contribution beginning in FY89.

Since FY91, the State has paid a larger portion of dependent coverage; subsidized the retiree plan rates; and built a reserve from which to pay the normal State medical/dental contribution for disabled employees for up to 30 months. A state-funded Employee Assistance Plan (EAP) was implemented in FY 91 as an employer benefit to provide supervisory assistance, HR consultations, training, and some employee counseling services. Multiple plan choices were offered in FY94 with the implementation of HMO and Modular Indemnity Plan options. Effective July, 2001 funding for the EAP and the mental health/substance abuse benefits formerly provided under the medical plans was used to implement the Integrated Behavioral Health Plan.

### EMPLOYEES, RETIREES & DEPENDENTS COVERED

AS OF 7/1/02

Employees	19,250
Retirees	2,965
Dependents	25,692
<b>Total</b>	<b>48,177</b>

## GROUP INSURANCE MONTHLY PREMIUMS

### State Contribution (Medical Dental)

#### FY 89 THROUGH FY 2004

FY89	88.83	FY97	244.58
FY90	110.50	FY98	247.02
FY91	150.29	FY99	269.84
FY92	163.41	FY00	298.80
FY93	190.58	FY01	340.56*
FY94	232.91	FY02	382.83*
FY95	232.91	FY03	403.08*
FY96	244.58	FY04 est.	462.33*

\*Includes 8.00 retiree subsidy, 2.61 medical premium reserve, and 7.94 per month for IBHP.

## How the Insurance Plan Works

The State contributes toward the cost of the medical/dental coverage for each employee. **The State contribution is the same for each employee, regardless of the plan the employee chooses.** The appropriation for the State contribution is based on the plan that covers the majority of the State employees. That plan has been, and continues to be, Module 2, one of the indemnity plans underwritten by Regence Blue Shield of Idaho.

**Seventy-two (72%) percent of all eligible employees enroll in Blue Shield Module 2.** This module has higher deductibles and stop loss limits, as well as the lowest employee-paid premium rates. Employees electing Module 1 or the Blue Cross Point of Service plan have higher monthly premiums.

The basic principle of a "group" insurance plan is to spread the "risk", or medical/dental costs of a large group over all participants. This results in more affordable rates, particularly for those in need of higher levels of health care service. In some years, there are employees who do not receive reimbursement because they do not have any health care expenses, or the little they do have falls within deductible limits. Statistically speaking, in one out of ten years that same individual will have need to use the benefits as the result of a catastrophic medical illness or accident. As members of the group age, claims can be expected to increase due to increased use associated with getting older.

*Continued...*

## How the Plan Works, cont.

Rates can be expected to increase as claims levels increase. Currently, the average employee age on our medical plans is 45.

Offering more than one plan option to employees provides employees the opportunity to enroll in a plan that best suits their needs. This enables them to choose the plan which provides them the best coverage when they need care and reduces their out-of-pocket costs as much as possible.

The overall impact of providing multiple plan choices splits the group into sub-groups with different demographics and health status. Those employees who anticipate higher health care expenses could enroll in the plan with lower deductibles and/or co-payments. In this situation, the higher monthly premiums could be offset by lower out-of-pocket costs. This means that the actual cost of that group per enrolled member could be higher than if they had remained in a larger group with a significant number of healthy individuals over whom costs could be spread.

**As part of the Department's website, OIM's homepage provides easy access to the information most often used by our employees and agency customers. The site contains the Employee Group Insurance Handbook, the**

*Additional information  
available at  
[www2.state.id.us/adm/  
insurance](http://www2.state.id.us/adm/insurance)*

**Group Insurance Administration Manual (a procedural guide for HR/Payroll offices) copies of the Benefits Focus newsletter and other useful information related to the employee benefit programs administered by OIM.**

### ***DID YOU KNOW?***

*In the twelve month contract period ending 6/30/02 (FY 2002) on the two Blue Shield Modules, in which 99% of all employees are enrolled:*

- ◆ *30% of the members submitted no claims and 34% of the group had claims that fell between \$1 and \$500. These two groups combined accounted for 64% of the total number of covered members, but only 3% of the total plan costs (or \$2,848,503).*
- ◆ *19% of the group incurred claims between \$501 and \$2,000, representing 12% of total claims, or 10,113,215.*
- ◆ *14% of the group had claims totaling between \$2,001 and \$10,000, accounting for 36% of total claims, or \$29,788,752.*
- ◆ *49% of the total claims submitted against the group were generated by 3% of those covered. Total claims for this group equalled \$41,104,102.*

### ***Plan Enrollment FY 2002***

	MODULE 1	MODULE 2	POS	TOTAL
<b>No. of Empl</b>	<b>5,175</b>	<b>13,826</b>	<b>249</b>	<b>19,250</b>
<b>% of Group</b>	<b>27%</b>	<b>72%</b>	<b>1%</b>	<b>100%</b>

### ***Statutory Authority***

- ◆ The Director of the Department of Administration is "responsible for life, medical, disability, property, casualty, and other insurance as may be determined to be in the best interest of the State of Idaho by the Department of Administration."
- ◆ The director's objective is to "procure and maintain .... the most adequate group coverages reasonably obtainable for the money available for required premiums ...." (Idaho Code 67-5762).

#### **The director has the authority to:**

- ◆ "... employ additional personnel as may be necessary and may contract for professional or technical services or assistance when necessary and desirable." (Idaho Code 67-5760.)
- ◆ "... fix and promulgate rules for determining eligibility of personnel for participation in any group plans ....",
- ◆ "... determine the nature and extent of needs for group life ....., group annuities, group disability insurance, and group health care service coverages ....., premiums or prepayments .... payable in whole or in part from funds of the State ...,"
- ◆ "... determine the types, terms, conditions, and amounts of group insurance ...," "negotiate and contract for, and have placed or continued .... all such insurance and coverages as may reasonably be obtainable ...,"
- ◆ "... may negotiate deductibles to any group plan or coverage. .... changes in such policies and contracts and renewal or termination thereof." (Idaho Code 67-5761)
- ◆ Idaho Code 67-5768 (2), states that "no policy or contract shall create, or be deemed to constitute, any financial obligation on the part of the State of Idaho beyond the obligation to contribute for or upon current premiums or prepayments thereof."